

## **Croda's Modern Slavery Act Transparency Statement**

This statement is made in relation to Section 54 of the Modern Slavery Act 2015 and sets out the steps that we are taking to reduce the risk of slavery and human trafficking taking place within our supply chains or in any part of our Business.

### **Introduction**

Croda is a recognised industry leader in sustainability, having received awards and recognition for our work in this area. To meet the high expectations of our customers and other stakeholders we are continuously striving to evaluate and further improve our responsible sourcing practices, including increasing transparency in respect of slavery and human trafficking.

### **Our Business and Supply Chain Overview**

Established in 1925, we are the name behind high performance ingredients and technologies in some of the biggest and most successful brands in the world: creating, making and selling speciality chemicals that are relied on by industries and consumers everywhere.

Croda International Plc is the parent company of the Croda group of companies (the "Group"). As of 31 December 2017, the Group employed 4,309 people who work together as one global team within 37 countries, reporting an annual turnover of £1.37 billion. We are a FTSE100 company with a flexible business structure allowing us to focus on developing and delivering innovative, sustainable ingredients that our customers can build on in the following global market sectors: Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals.

We have manufacturing sites located in Europe, North America, Latin America and Asia Pacific. Each site/region has its own procurement organisation responsible for purchasing all goods and services. We generate revenue through our direct selling model, with sales, technical and warehousing support local to our customers. A description of our business model and values can be found in our Annual Report and Sustainability Report, both of which can be found on our website [www.croda.com](http://www.croda.com).

### **Our Policies and Values**

The values of integrity, honesty and openness are embedded within Croda's culture. We are committed to acting ethically and transparently in all our business dealings and we take our social responsibilities very seriously. The Croda Vision sets out six values inherent to our business, against which all our policies and procedures must be aligned. One of the six values is that we will continue to be an ethical and responsible company. A copy of the Croda Vision is shared with every employee upon joining the Group.

At the beginning of 2017 we formed an Ethics Committee to support the Executive Committee, and in turn the Board, in the promotion of the importance of ethics and compliance across the Group and amongst all those third parties who work with us. The Committee meets quarterly and is chaired by the Group General Counsel and Company Secretary. This Committee is responsible for overseeing the Group's ethics strategy and monitoring the development, adoption and implementation of policies and procedures in support of that strategy.

Our Code of Ethics and Supplier Code of Conduct set out our commitment to working as an ethical and responsible company and affirm our commitment to conducting our business throughout the

world with honesty and integrity. All employees, as well as agents and distributors acting on our behalf, are expected to comply with these codes and local management is tasked with monitoring compliance mitigating risk and reporting any significant breach.

The following policies are focused on maintaining integrity within our supply chains, and we have an established procedure for the regular review and update of these and related policies:

- Group Policy on Modern Slavery
- Group Whistleblowing Policy
- Group Code of Conduct

We take steps to ensure compliance with our Group Policy on Modern Slavery within our business and have in place measures to reduce the risk of any modern slavery in our supply chains. Modern slavery clauses are now included in new purchasing contracts, which require legal compliance from our supply chain partners and encourage social and environmental responsibility throughout their supply chains.

### **Due Diligence Processes for Slavery and Human Trafficking**

We view our supply chains as an extension of our own operations and require our contractors, and suppliers, agents and distributors to adopt the same standards and principles. Awareness of supply chain risks has progressed over recent years to the point where it is now an industry expectation that an appropriate level of due diligence is performed in identifying and mitigating these risks. In this context sustainable procurement is a strategic priority for us and supply chain transparency is considered essential.

We continue to adopt a risk-based approach in engaging with suppliers and use a methodology based on the supplier's country of operation and the activity performed to identify higher risk suppliers from a modern slavery perspective. In 2016/17 we identified raw material and packaging suppliers with supply chains originating in regions perceived as higher risk, such as Africa, India, South East Asia, China and South America. A number of these suppliers were required to complete an industry recognised self- assessment questionnaire covering four key areas: labour standards; health and safety; the environment; and business ethics. Completed questionnaires were then analysed and scored.

The questionnaire/scorecard approach proved to be a practical and speedy method of data collection, however, the progression from data collection to meaningful engagement with our supply chain partners was challenging in the absence of qualitative evidence of the quality of each supplier's sustainability management systems. We therefore took the decision to partner with **EcoVadis** and utilise the EcoVadis CSR Rating Methodology.

The EcoVadis solution is characterised by evidence-based sustainability assessments with supporting documentation to verify the data provided. The assessments are tailored to industry, size and country and the output displayed in a clear and qualitative dashboard. This gives both our suppliers and our procurement teams clear indication on supply chain strengths and weaknesses and suggested steps to improve transparency. The results of this programme will be available for us to review and act upon in Summer 2018.

In September 2017, and building on our sustainability work with the RSPO, we launched an in-depth investigation into our supply chains for palm oil and palm kernel oil derivative raw materials, with the aim of increasing transparency, highlighting gaps and opportunities between our own

commitments and the practices of key suppliers and defining an ambitious, yet achievable roadmap towards responsible sourcing. This will enable us to evaluate possible risks of modern slave labour and human trafficking in our palm derivative supply chains and take appropriate steps to mitigate these by, for example, managing grievances raised by external stakeholders.

To conduct the investigation independently we appointed Transitions, a third-party sustainability consulting firm with extensive knowledge and expertise in sustainable sourcing

When the initial mapping is completed later this year, Transitions will conduct a risk assessment to include both environmental and social criteria such as human rights, child labour, land tenure conflicts and labour issues.

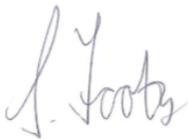
### **Looking ahead**

Sustainable procurement will remain a strategic priority for Croda, for which supply chain transparency is essential. Using our risk-based approach, we will continue to expand the number of suppliers upon whom we undertake due diligence and mitigate the risk of slavery and human trafficking in our supply chains.

In the 12 months commencing 1 January 2018, our specific aims include the following exercises:

- Act on the EcoVadis 'alert signals' that indicate the possible existence of slavery and human trafficking in our supply chains and take steps to mitigate any associated risks;
- Define and monitor performance indicators to measure the effectiveness of our supplier engagement processes;
- Develop and roll-out a programme of modern slavery training to procurement representatives in all regions to raise awareness on the topic and provide targeted instruction on mandatory due diligence processes.
- Augmenting our higher risk supply contracts (packaging and raw materials) with a modern slavery side letter. On renewal the modern slavery clauses will be incorporated in to the new contracts.

This Modern Slavery Statement was approved by the Board of Directors on 28 June 2018 and signed by Steve Foots, Group Chief Executive.



**Steve Foots**

Chief Executive Officer

29 June 2018